STAND. COM. REP. NO. 1245

Honolulu, Hawaii

APR 0 1 2015

RE: S.C.R. No. 54 S.D. 1

Honorable Donna Mercado Kim President of the Senate Twenty-Eighth State Legislature Regular Session of 2015 State of Hawaii

Madam:

Your Committee on Government Operations, to which was referred S.C.R. No. 54 entitled:

"SENATE CONCURRENT RESOLUTION REQUESTING A STUDY REGARDING THE NEED TO INCREASE THE DOLLAR THRESHOLD THAT DETERMINES WHETHER A SMALL PURCHASE IS EXEMPT FROM SMALL PURCHASE PROCUREMENT PROCEDURES,"

begs leave to report as follows:

The purpose and intent of this measure is to request the Procurement Policy Board to:

- (1) Study how the cost of goods, services, and construction have escalated since 1997, considering inflation and other factors;
- (2) Determine a new suggested limit for purchases exempt from small purchase procurement procedures, in light of escalating costs and in accordance with the Legislature's intent in setting the limit at \$25,000 in 1997; and
- (3) Identify additional safeguards, if any, that should be implemented to ensure efficiency, transparency, and accountability in exempt small purchase procurements, should the limit be increased.

Your Committee received comments on this measure from the State Procurement Office and Subcontractors Association of Hawaii.

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Your Committee finds that the statutory threshold for procurements exempt from small purchase procurement procedures was adopted in 1997. Over the past eighteen years, costs for goods, services, and construction have all increased substantially. It is prudent to evaluate the statutory limit and determine whether it should be increased to effectuate the Legislature's intent when establishing the \$25,000 threshold in 1997.

Your Committee has amended this measure by:

- (1) Clarifying that small purchase procurements of less than \$100,000 for goods or services or \$250,000 for construction are subject to rule-based small purchase procurement procedures and must be procured through an electronic system, while small purchase procurements of less than \$25,000 are exempt from the electronic system requirements and subject to administrative rules regarding minimum requirements for quotes; and
- (2) Making a technical, nonsubstantive amendment for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Government Operations that is attached to this report, your Committee concurs with the intent and purpose of S.C.R. No. 54, as amended herein, and recommends that it be referred to the Committee on Ways and Means, in the form attached hereto as S.C.R. No. 54, S.D. 1.

Respectfully submitted on behalf of the members of the Committee on Government Operations,

DONOVAN M. DELA CRUZ, Chair,

The Senate Twenty-Eighth Legislature State of Hawaiʻi

Record of Votes Committee on Government Operations GVO

Bill / Resolution No.:*	Committee Referral:			Date:		
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The Committee is reconsidering its previous decision on this measure.						
If so, then the previous decision was to:						
The Recommendation is:						
Pass, unamended Pass, with amendments Hold Recommit 2312 2311 2310 2313						
Members		Aye	Aye (WI	R) Na	ay	Excused
DELA CRUZ, Donovan M. (C)						
NISHIHARA, Clarence K. (VC)						
IHARA, Jr., Les					_	
TOKUDA, Jill N.						/
SLOM, Sam						
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TOTAL		3				2
Recommendation: Adopted Not Adopted						
Chair's or Designee's Signature:						
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy						

*Only one measure per Record of Votes